

# PNC Infratech

## In-line quarter

PNC Infratech (PNC) delivered an in-line 2QFY21 financial performance. Management commentary was upbeat on (1) FY21E order inflows pegged at Rs 100bn, (2) revenue guidance upped from 10% YoY de-growth to flattish trend, (3) NWC improvement for 2HFY21, (4) closure of BOT/HAM asset monetisation by Mar-21, and (5) growth backed by low peak debt levels of Rs 4.5bn. Valuations are supports at core EPC FY22/23E EPS of 5.4/4.7x. We maintain BUY on PNC, with an unchanged target price of Rs 290/sh, given a strong order book and net cash balance sheet. Key risks: (1) slowdown in NHAI ordering and (2) delay in the monetisation of HAM projects. Successful diversification, away from the roads sector, could lead to the expansion of multiple.

- **Results in line, execution picking up, guidance upped:** PNC reported in-line revenue/EBITDA/PAT at Rs 10.5/1.4/0.7bn. Concession Agreements for the four recently-awarded HAMs have been signed, and Appointed Date is expected by Jan-21 for all. Land 3G status in these four HAMs and two Delhi Vadodara EPC packages is ~80-90%. Order book stands at 158bn (~3.2x FY20 revenue). NWC remained at an elevated level of ~85days QoQ, which is gradually expected to ease to ~75 days by end-FY21. Labour availability is now almost at the pre-COVID level. PNC has upped FY21 revenue guidance from ~10% de-growth to flattish revenues.
- **Strong OB lends revenue visibility; diversification efforts on:** PNC expects to close FY21 with ~90-100bn inflows (secured Rs 42.5bn FYTD21). The order book stood at Rs 158bn. To diversify away from road segment, PNC is looking at water, metro and railways sector. In this direction, PNC has submitted bids for four water supply projects in UP, for Rs 50bn combined value, under the Jal Jeevan Mission, eight projects (6HAM+1Annuity+1BOT) are up for monetisation (~Rs 9.4bn equity invested). PNC has won Rs 13bn of water-related orders in FYTD21.
- **Balance sheet robust; monetisation of HAM projects key to watch:** Although NWC deteriorated from 57 days on FY20 end to 85 days on lower revenue base (84 days as on Jun-20), which is gradually expected to ease to ~75 days by end-FY21, PNC maintained net cash at the standalone level, with gross debt of Rs 3.3bn (D/E 0.12x) and cash of Rs 7bn. Consolidated gross debt stood at Rs 38.2bn (1.4x D/E). PNC would require to infuse Rs ~10bn equity in under construction and recently-won HAM projects by FY24E. While PNC could fund the equity requirement from internal accruals, we believe monetisation of HAM projects would be key to churn capital and unlock the value. Capex budgeted for FY21 is Rs 1.25bn, with no loss funding envisaged for any SPV.

### Quarterly/annual financial summary

YE March (Rs mn)	2Q FY21	2Q FY20	YoY (%)	1Q FY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	10,535	10,707	(1.6)	9,053	16.4	48,779	46,965	53,774	61,195
EBITDA	1,421	1,477	(3.8)	1,198	18.6	7,643	6,476	7,586	8,596
APAT	692	709	(2.3)	601	15.2	3,243	3,250	4,270	4,890
Diluted EPS (Rs)	2.7	2.8	(2.3)	2.3	15.2	12.6	12.7	16.6	19.1
P/E (x)						13.2	13.2	10.0	8.8
EV / EBITDA (x)						5.1	5.9	5.1	4.7
RoE (%)						13.9	12.0	14.1	14.2

Source: Company, HSIE Research, Standalone financials

**BUY**

CMP (as on 03 Nov 2020)	Rs 167
Target Price	Rs 290
NIFTY	11,814

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 290	Rs 290
EPS FY21E	FY22E	FY23E
change %	-	-

### KEY STOCK DATA

Bloomberg code	PNCL IN
No. of Shares (mn)	257
MCap (Rs bn) / (\$ mn)	43/577
6m avg traded value (Rs mn)	38
52 Week high / low	Rs 215/80

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	27.8	31.1	(2.7)
Relative (%)	18.8	11.7	(2.9)

### SHAREHOLDING PATTERN (%)

	June-20	Sep-20
Promoters	56.07	56.07
FIs & Local MFs	22.83	24.29
FPIs	6.42	6.06
Public & Others	14.68	13.58
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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